



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

October 24, 2000

TO: Lowell P. Braxton, Director

THRU: Pamela Grubaugh-Littig, Acting Associate Director *pgl*

THRU: Wayne Hedberg, Permit Supervisor *WH*

FROM: Tom Munson, Senior Reclamation Specialist *TM*

RE: Request for Approval of Form and Amount of Reclamation Surety, McFarland & Hullinger, SI0² 1-6 Mine, M/045/046, Tooele County, Utah

The Division finalized the review of McFarland & Hullinger's SI0² 1-6 Mine, located in Tooele County, Utah and tentative approval was granted September 26, 2000. The tentative approval notice was sent to the local newspapers on September 29, 2000, to begin a 30-day public comment period. No adverse comments were received for this project.

The operator has provided the Division with a Reclamation Contract and surety bond #19S101157895BCM, issued by Travelers Casualty and Surety Company of America in the amount of \$100,000.00. The surety company is on the federal register listing of acceptable bonding companies. The Division's legal counsel has reviewed the forms for accuracy.

McFarland & Hullinger has over bonded for this project. The amount required for this project as proposed is \$62,500.00. The operator informed us that obtaining surety bonds is becoming extremely difficult. Therefore, they chose to over bond this project in the event they may want to expand in the future and thereby avoid seeking additional surety at a later date.

In November 1999, McFarland & Hullinger provided the Division with a \$100,000.00 surety bond issued by Continental Casualty Company. In December, 1999, they provided a reclamation contract. The Division was holding these documents as "interim" surety until their large mining plan was reviewed and approved. We received notification from Continental Casualty Company that effective October 20, 2000, their surety bond would be canceled. Upon acceptance of the surety now posted by Travelers Casualty and Surety Company, we will return the "interim" Reclamation Contract and "interim" surety documents to the operator for their disposal.

If you are in agreement with the acceptance of the reclamation surety please sign and date the documents as indicated so we can issue final approval for the SI0² 1-6 Mine. Thank you for your consideration of this request.

jb

Enclosure: MR-RC & surety
M45-46-dir-mem

FORM MR-RC
Revised January 18, 2000
RECLAMATION CONTRACT

File Number M/045/046

Effective Date Oct. 26, 2000

Other Agency File Number U-72294

RECEIVED

OCT 10 2000

DIVISION OF
OIL, GAS AND MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/045/046
(Mineral Mined) Quartzite (high grade silica ore)

"MINE LOCATION":
(Name of Mine) SI02 1-6
(Description) The mine is located on the west side of Stansbury Island, 6 miles due north of Exit 84 - Interstate Highway 80, and approximately 12 miles north west of Grantsville, Utah. Located in Township 1N, Range 6W, Sections 21 & 28

"DISTURBED AREA":
(Disturbed Acres) Approximately 40 acres
(Legal Description) (refer to Attachment "A")

"OPERATOR":
(Company or Name) McFarland & Hullinger
(Address) P.O. Box 238
Tooele, Utah 84074

(Phone) (435) 882-0103

"OPERATOR'S REGISTERED AGENT":

(Name)

Sidney K. Hullinger

(Address)

473 West Vine 8960 N Hwy 40
Tooele, UT 84074 Lakepoint UT 84074

(Phone)

(435) 882-5306 (435) 882-0103

"OPERATOR'S OFFICER(S)":

Sidney K. Hullinger

Senior Vice President

"SURETY":

(Form of Surety - Attachment B)

Surety Bond

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Travelers Casualty and Surety Co of America

"SURETY AMOUNT":

(Escalated Dollars)

\$100,000

"ESCALATION YEAR":

2005

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between McFarland & Hullinger, LC the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/045/046 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated 11-11-99, and the original Reclamation Plan dated 11-11-99. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's

request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

McFarland & Hullinger, L.C.

Operator Name

By Sidney K. Hullinger

Authorized Officer (Typed or Printed)

Senior Vice President

Authorized Officer - Position

Sidney K. Hullinger
Officer's Signature

Oct. 9, 2000
Date

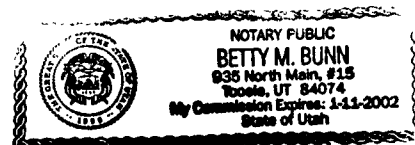
STATE OF Utah)

COUNTY OF Tooele) ss:

On the 9th day of October, 20 00, personally appeared before me Sidney K. Hullinger who being by me duly sworn did say that he/she, the said Sidney K. Hullinger is the Senior Vice President of McFarland & Hullinger and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said Sidney K. Hullinger duly acknowledged to me that said company executed the same.

Betty M. Bunn
Notary Public
Residing at: Leona, Utah

1/11/02
My Commission Expires:

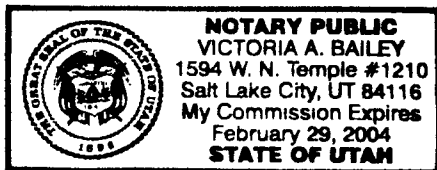


DIVISION OF OIL, GAS AND MINING:

By Lowell P. Braxton 10/26/00
Lowell P. Braxton, Director Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 26th day of October, 20 00,
personally appeared before me Lowell P. Braxton, who being
duly sworn did say that he/~~she~~, the said Lowell P. Braxton
is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources,
State of Utah, and he/~~she~~ duly acknowledged to me that he/~~she~~ executed the foregoing
document by authority of law on behalf of the State of Utah.



Victoria A. Bailey
Notary Public
Residing at: Salt Lake City, UT

February 29, 2004
My Commission Expires:

ATTACHMENT "A"

| | |
|--|---------------------|
| <u>McFarland & Hullinger, L.C.</u> | <u>SI02 #1 - #6</u> |
| Operator | Mine Name |
| <u>M/045/046</u> | <u>Tooele</u> |
| Permit Number | <u>County, Utah</u> |

The legal description of lands to be disturbed is:

The areas to be disturbed are as follows: The NE $\frac{1}{4}$ NW $\frac{1}{4}$, and NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 28, and the S $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 21 in Township 1N, Range 6W SLB&M.

The mining areas and access roads will all be east of the county road that runs north and south on the west side of Stansbury Island. The ridgeline of the steep ridge east of the county road is the absolute eastern boundry of the proposed mining area. We will not disturb more than 40 acres within the 48 acre proposed mining area. Further, this disturbance will procede in small increments as the ore body is extremely steep and horizontal penetration into the mountain is gradual.

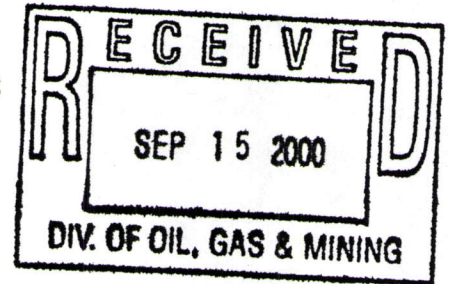
The disturbed & bonded area is further described as outlined on the attached topographic map "Attachment C" M/045/046.

ATTACHMENT B

FORM MR-6
Joint Agency Surety Form
(January 7, 1999)

Bond Number _____
Permit Number S/045/046
Mine Name SI02 445 (Quartzite Pit Mine) Open
Other Agency File Number U-72394

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas and Mining
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940



THE MINED LAND RECLAMATION ACT

SURETY BOND

The undersigned McFarland and Hullinger, L.C. as Principal, and Continental Casualty and Surety Company of America as Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns unto the State of Utah, Division of Oil, Gas and Mining, and the U.S. Dept. of the Interior, Bureau of Land Management, in the penal sum of One Hundred Thousand and No/100 Dollars -----dollars (\$ 100,000.00).

Principal has estimated in the Mining and Reclamation Plan approved by the Division of Oil, Gas and Mining on the 27th day of October, 19 2000, that 40 acres of land will be disturbed by this mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the Reclamation Contract of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and Reclamation Plan and has faithfully performed all requirements of the Mined Land Reclamation Act, and complied with the Rules and Regulations adopted in accordance therewith, then this obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations, then Principal may apply for a reduction in the amount of this Surety Bond.

This bond is replacing bond 929110420 with Continental Casualty Company.

In the converse, if the Mining and Reclamation Plan provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.

This bond may be canceled by the Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

McFarland and Hullinger, L.C.

Principal (Permittee)

Sidney K. Hullinger

By (Name typed):

Senior Vice President

Title

Sidney K. Hullinger
Signature

This bond shall be become effective on the effective date of the termination of bond no. 929110420 with Continental Casualty Company or October 10, 2000 whichever is earlier.

8/23/00
Date

Surety Company

Gary W. Manville

Company Officer

Attorney-in-Fact

Title/Position

Gary W. Manville
Signature

Travelers Casualty and Surety Company of America

Surety Company Address

1161 West River, Suite 150
Boise, ID 83701

City, State, Zip

July 31, 2000
Date

Page 3

MR-6

Joint Agency Surety Bond

Attachment B

Bond Number _____

Permit Number S/045/046

Mine Name S102 445 (Quartzite Open Pit Mine)

Other Agency File Number U-72294

SO AGREED this 26th day of October, 2000.

Lowell P. Braxton

Lowell P. Braxton, Director

Utah State Division of Oil, Gas and Mining

*NOTE: Where one signs by virtue of Power of Attorney for a Surety Company, such Power of Attorney must be filed with this bond. If the Principal is a corporation, the bond shall be executed by its duly authorized officer.

AFFIDAVIT OF QUALIFICATION

On the 31st day of July, ~~19~~ 2000 personally appeared before me Gary W. Manville who being by me duly sworn did say that he/she, the said Gary W. Manville is the Attorney-in-Fact of Travelers Casualty and Surety Company of America and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said Gary W. Manville duly acknowledged to me that said company executed the same, and that he/she is duly authorized to execute and deliver the foregoing obligations; that said Surety is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertaking and obligations.

Signed: [Signature]
Surety Officer
Title: Attorney-in-Fact

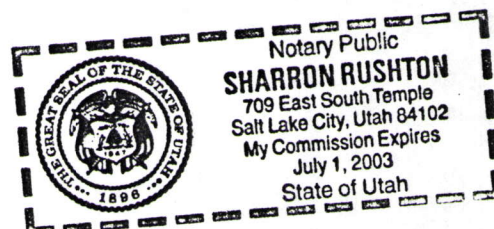
STATE OF Utah)
) ss:
COUNTY OF Salt Lake)

Subscribed and sworn to before me this 31st day of July, ~~19~~ 2000.

[Signature]
Notary Public Sharron Rushton
709 East South Temple
Residing at: Salt Lake City, UT 84102

My Commission Expires:

July 1, ~~19~~ 2003



TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
TRAVELERS CASUALTY AND SURETY COMPANY
FARMINGTON CASUALTY COMPANY
Hartford, Connecticut 06183-9062
TRAVELERS CASUALTY AND SURETY COMPANY OF ILLINOIS
Naperville, Illinois 60563-8458

POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT

KNOW ALL PERSONS BY THESE PRESENTS, THAT TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, corporations duly organized under the laws of the State of Connecticut, and having their principal offices in the City of Hartford, County of Hartford, State of Connecticut, and TRAVELERS CASUALTY AND SURETY COMPANY OF ILLINOIS, a corporation duly organized under the laws of the State of Illinois, and having its principal office in the City of Naperville, County of DuPage, State of Illinois, (hereinafter the "Companies") hath made, constituted and appointed, and do by these presents make, constitute and appoint: William R. Moreton, Jonathan M. Jepsen, Gary W. Manville, Philip S. Walter, Sharron Rushton or Marilyn L. Allred * *

of Salt Lake City, UT, their true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, or, if the following line be filled in, within the area there designated the following instrument(s):
by his/her sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any and all consents incident thereto

and to bind the Companies, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of the Companies, and all the acts of said Attorney(s)-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following Standing Resolutions of said Companies, which Resolutions are now in full force and effect:

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors at any time may remove any such appointee and revoke the power given him or her.

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company, provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary.

VOTED: That any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary, or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority or by one or more Company officers pursuant to a written delegation of authority.

This Power of Attorney and Certificate of Authority is signed and sealed by facsimile under and by authority of the following Standing Resolution voted by the Boards of Directors of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY, FARMINGTON CASUALTY COMPANY and TRAVELERS CASUALTY AND SURETY COMPANY OF ILLINOIS, which Resolution is now in full force and effect:

VOTED: That the signature of each of the following officers: President, any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

IN WITNESS WHEREOF, TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY, FARMINGTON CASUALTY COMPANY and TRAVELERS CASUALTY AND SURETY COMPANY OF ILLINOIS have caused this instrument to be signed by their Senior Vice President, and their corporate seals to be hereto affixed this 29th day of October, 1999.

STATE OF CONNECTICUT

}SS. Hartford

COUNTY OF HARTFORD

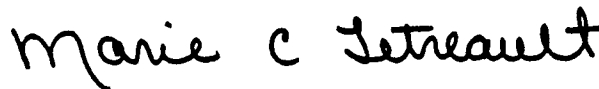
TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
TRAVELERS CASUALTY AND SURETY COMPANY
FARMINGTON CASUALTY COMPANY
TRAVELERS CASUALTY AND SURETY COMPANY OF ILLINOIS



By 
George W. Thompson
Senior Vice President

On this 29th day of October, 1999 before me personally came GEORGE W. THOMPSON to me known, who, being by me duly sworn, did depose and say: that he/she is Senior Vice President of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY, FARMINGTON CASUALTY COMPANY and TRAVELERS CASUALTY AND SURETY COMPANY OF ILLINOIS, the corporations described in and which executed the above instrument; that he/she knows the seals of said corporations; that the seals affixed to the said instrument are such corporate seals; and that he/she executed the said instrument on behalf of the corporations by authority of his/her office under the Standing Resolutions thereof.






My commission expires June 30, 2001 Notary Public
Marie C. Tetreault

CERTIFICATE

I, the undersigned, Assistant Secretary of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, stock corporations of the State of Connecticut, and TRAVELERS CASUALTY AND SURETY COMPANY OF ILLINOIS, stock corporation of the State of Illinois, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney and Certificate of Authority remains in full force and has not been revoked; and furthermore, that the Standing Resolutions of the Boards of Directors, as set forth in the Certificate of Authority, are now in force.

Signed and Sealed at the Home Office of the Company, in the City of Hartford, State of Connecticut. Dated this 31st day of July, 2000.



By 
Kori M. Johanson
Assistant Secretary, Bond